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RUEHRY/AMEMBASSY CONAKRY 0030
RUEHDK/AMEMBASSY DAKAR 0275
RUEHLC/AMEMBASSY LIBREVILLE 0048
RUEHLO/AMEMBASSY LONDON 0340
RUEHMD/AMEMBASSY MADRID 3775
RUEHNK/AMEMBASSY NOUAKCHOTT 2315
RUEHRB/AMEMBASSY RABAT 8211
RUEHTU/AMEMBASSY TUNIS 2078
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SUBJECT: EL FASSI'S FIRST 100 DAYS: TOO EARLY TO TELL, BUT TIME TO ACT

REF: (A) 07 CASABLANCA 0211 (B) 07 RABAT 01810

¶1. (SBU) Summary: 100 days into El Fassi's tenure as Prime Minister, many Casablancans feel they have little on which to judge the new government, though they feel it is time for action. Citizens expressed anger over the increase in value-added tax on cars, and a sense of urgency about the need to revamp Morocco's educational system. Despite such issues, the business community is confident that the momentum of positive change in Morocco will continue, spurred by the King, a powerful business-interest group, government ministers and the private sector, if not by El Fassi himself. End Summary.

TOO EARLY TO TELL

¶2. (SBU) Many Casablancans say it is too early to tell how Moroccan Prime Minister Abbas El Fassi has fared during his first three months in office. One businesswoman said the new government has not yet done anything, and referenced an editorial in the January 30 issue of the daily L'Economiste that echoed her sentiment - it is time for El Fassi to step to the plate and pick up the pace. Others reiterated their feelings on the government as a whole; they remain disappointed by the selection of El Fassi as Prime Minister, but are confident in his ministers (Ref A). As Saad Kettani, a former banker and prominent businessman, put it, he would not have disrupted the momentum of Morocco's transformation by replacing Jetto. He believes, as do many others, that the current ministers are better than before, "but their coach is not there."

ANGER OVER HIGH TAXES, POOR EDUCATION

¶3. (U) While many felt they have little on which to judge the new government, some did voice complaints about tax increases instituted by the 2008 Finance Bill. The increase from 10 to 20 percent of value-added tax (TVA) on cars leased with the option to buy (LOA) sent a wave of anger through the population. Many were particularly incensed that the tax is retroactive, applying to cars purchased before 2008 despite the fact that the law just went into effect. One

banker called the tax "horrible," while another pointed out that it will dissuade people from buying new cars, forcing them to keep older models and, in turn, jeopardizing road safety. Others believe the tax will simply force buyers to the parallel market, slowing sales for legitimate sellers.

¶4. (U) In an attempt to deflect ire from consumers, El Fassi scolded companies for passing on the increase to their customers, claiming they shirked their moral imperative not to. This defensive reaction did nothing to appease citizens, who feel their purchasing power has been diminished. The situation has received ample media attention, with articles and op-eds using such words as arbitrary, stupid and scandalous to describe the increased tax.

¶5. (SBU) Those commenting on the new government are also concerned about the lack of movement on the education front. El Fassi did name education as one of five priorities in a January 29 meeting with the Moroccan press corps, but the sense remains that the country's educational system is so broken as to require triage. In a meeting with CG and econoff on February 1, Saad Kettani specifically mentioned education as a big concern, particularly given the need for skilled middle and lower managers in sectors key to Morocco's economic development (including tourism, information technology, agriculture and the budding automobile industry). Given past failures, Kettani believes the solution is to develop a private sector in education. Many Moroccans, however, hold El Fassi and the Ministry of Education responsible for radically upgrading the system. Either way, Moroccans in general agree that this initiative cannot wait, as the problem requires decisive action before yet another generation emerges from the classroom ill-prepared and unemployable.

MOMENTUM WILL CONTINUE

¶6. (SBU) Despite dissatisfaction with El Fassi's inaction and some of his government's fiscal policies, many members of the business community expressed strong optimism that Morocco's economic ascent would continue. At a January 30 presentation sponsored by the American Chamber of Commerce on the country's new arbitration law, a lawyer who practices in Casablanca and Fez could barely contain his excitement at the benefits the new law would bring. An executive at an international cement company agreed. He also relayed several accounts of positive experiences he had had recently with Moroccan judges handling corporate disputes in court, perhaps indicating improved awareness and understanding of dispute resolution in general.

¶7. (SBU) An influx of international companies and investors has pushed Morocco to embrace many reforms, such as the new arbitration law, and the business community seems to feel that the momentum to change will continue, new government aside. Kettani certainly echoed this view, noting that the King and Morocco's leading business association, the Confederation of Moroccan Enterprises (CGEM), were doing solid work and cooperating with each other, the GOM and the private sector to advance Morocco sector by sector.

¶8. (SBU) Comment: Over and over, Moroccans tout their country's momentum. Their expectations for El Fassi may be low, but they are confident that they can effect positive change via other means - namely through private sector lobbying and initiatives, supported by the King and the GOM's key ministers. End Comment.

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